



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 11/14/2001

GAIN Report #EI1012

## **Ireland**

## **Dairy and Products**

## **Annual**

## **2001**

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### **Report Highlights:**

**Weak market conditions for butter and non fat dried milk (NFDM) has resulted in depressed milk prices while stock levels of both products are increasing. There is expected to be a record production of cheese in 2001 as high export prices are helped by favorable currency exchanges. Nevertheless dairying continues to be the most profitable agricultural sector in Ireland.**

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Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

London [UK1], EI

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## Section I. Situation and Outlook

Dairying in Ireland remains the most profitable of all agricultural sectors. Milk production, governed by the EU milk quota system, remains reasonably stable from year to year. Ireland accounts for about five percent of EU milk supply but a small domestic market for dairy products results in the availability of about 80 percent of milk production for export in product form. Being an island and having such a reliance on exports leaves the industry vulnerable to any market imbalance with the resultant price swings.

Narrowing profit margins for processors has concentrated discussions once again on consolidation at milk processing level. Irish milk production is highly seasonal with a weekly peak to trough ratio of about 14 to 1. Currently 44 individual operators collect milk from farmer suppliers. This milk is then directed to 17 butter plants, 11 cheese plants and 14 powder plants as well as to fluid and other product manufacturing plants. While the larger dairy firms are located in the south of the country, there are a number of smaller cooperatives scattered throughout the rest of the country which could benefit from consolidation and amalgamation. Indeed two of the larger southern based dairy firms, Kerry and Golden Vale, have just announced an amalgamation which will probably result in plant consolidation.

There are now four active exporters of commodity butter, NFDM and casein to international markets while up to six individual firms export cheddar to the U.K. The Irish Dairy Board, once the sole trader and exporter of Irish dairy products, has seen its share of exports diminish in recent years but it still remains the single largest exporter.

Prices paid to producers were relatively strong during the early months of 2001 but have since mid-year fallen dramatically as international supplies for butter and non fat dried milk (NFDM) far exceeds demand. Prices are expected to remain at these low levels through spring 2002. From February, exporters will again have the option of selling NFDM to intervention if trade prices fail to lift.

As winter approaches, Irish milk producers have been warned that there has been over-production (against quota) since summer and that production must be tailored in the last four months of the quota year to avoid substantial quota breeches. Winter is the trough period for Irish milk production so many producers will probably wait until early spring to manage production.

Since mid-year exporters have reported weaker markets for butter and NFDM worldwide. As a result there has been a substantial shift of manufacturing milk into cheese production. Sources note that prices for Irish butter and NFDM are uncompetitive especially with those for Australian and New Zealand product. With intervention storage of NFDM in its annual suspension period, exporters have reduced their prices in order to be competitive. As a result the price paid to farmers for milk has fallen substantially in the past two months. Butter prices are also low but are saved somewhat by the sales to intervention storage. With increased availability of milk for cheese-making, production of cheese in 2001 will reach an all-time record. Despite the increased level of production, which is reportedly happening throughout the EU, prices for cheese remain strong.

While Ireland is not a major exporter of butter outside of the EU, exporters have indicated that exports markets in general remain quiet. Within the EU, exporters note that prices are low and currently intervention sales offer the best price to Irish producers. There is a greater usage this year in the EU's subsidized scheme for incorporation in pastry and ice cream. However traders warn that there are much higher stocks of butter being held under the Private Storage Aid

scheme and these stocks will affect the market when they are released. In the short to medium term, Irish exporters believe that intervention will be the primary outlet for Irish butter.

The NFDM market is reportedly very weak at the moment. Exporters claim that they are unable to compete in international markets because of low prices. They also note that the EU has not granted any export subsidies for NFDM exports since July and that any trade being conducted at the moment is with the aid of older licenses. Exporters have also opined that traditional importers, such as Argentina and Brazil are no longer purchasing and indeed have been actively exporting. At present the short to medium-term outlook is for a resumption of sales to intervention in February 2002.

The market for dry whole milk powder remains relatively stable according to exporters. Irish exporters have built up supply contracts with international users and these tend to continue year to year.

The UK market for cheddar is reportedly quite stable at the moment. Irish cheddar exporters to the UK have had the benefit of a relatively attractive exchange rate for the past two years. However, exporters have noted that cheese production throughout the EU markets has expanded and stocks are beginning to build in the EU and particularly in the UK. Exporters also note that the U.S. market for branded or retail cheese is relatively stable and profitable for Irish exporters at the moment but that the U.S. market for bulk cheese is very weak. As a result cheese production in Ireland is expected to decrease somewhat in 2002 as increased stock levels will probably result in lower prices.

Irish casein exporters are watching developments in U.S. legislation on the imports of Milk Protein Concentrates with more than a passing interest. Proposals to impose restrictions on imports could adversely affect Irish exports of casein to the U.S. New U.S. field tests to produce casein from CCC-held stocks of NFDM has also alarmed Irish and EU casein exporters.

While there has been a steady increase in the imports of dairy products into Ireland in the past few years, the majority of which are from other EU countries, there has been a noticeable increase in the imports of milk into Ireland from both Northern Ireland and the UK for processing into dairy products. Irish processors competed for, and won contracts in during 1999/2000 to process British milk. With the outbreak of FMD, there were some temporary restrictions placed on imports of fluid milk but these were soon lifted for imports from Northern Ireland and Great Britain. Imports for the year overall are expected to be lower in 2001 than in 2000.

The seasonality of Irish milk production dictates that a high proportion of milk must be converted into the main commodity products - butter and NFDM. The Irish dairy industry has tried to address this issue since the mid 1980's with failed plans to diversify into increased cheese production. Now the focus has switched to providing specialist products produced specifically to users' requirements. In addition, the main exporter of Irish dairy products - the Irish Dairy Board (IDB) has increased its sales of consumer/branded products under the Kerrygold label in a number of markets. The IDB hopes to continue this trend.

Currency exchange will again determine market prices for Irish dairy products in 2002. If international markets for butter and NFDM improve, prices should increase which in turn will help milk prices. However exporters do not expect this to happen in the very near future.

## Section II. Statistical Tables

**PSD Table: Fluid Milk**

PSD Table						
Country	Ireland					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Cows In Milk	1260	1261	1238	1238	0	1240
Cows Milk Production	5491	5408	5416	5416	0	5470
Other Milk Production	0	0	0	0	0	0
TOTAL Production	5491	5408	5416	5416	0	5470
Intra EC Imports	350	259	200	200	0	300
Other Imports	0	0	0	0	0	0
TOTAL Imports	350	259	200	200	0	300
TOTAL SUPPLY	5841	5667	5616	5616	0	5770
Intra EC Exports	100	95	100	100	0	100
Other Exports	0	0	0	0	0	0
TOTAL Exports	100	95	100	100	0	100
Fluid Use Dom. Consum.	608	593	594	595	0	597
Factory Use Consum.	4933	4779	4722	4721	0	4823
Feed Use Dom. Consum.	200	200	200	200	0	250
TOTAL Dom. Consumption	5741	5572	5516	5516	0	5670
TOTAL DISTRIBUTION	5841	5667	5616	5616	0	5770
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**PSD Table: Cheese**

PSD Table						
Country	Ireland					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	27	27	23	30	18	18
Production	96	99	102	110	0	100
Intra EC Imports	14	17	14	15	0	15
Other Imports	1	0	1	0	0	0
TOTAL Imports	15	17	15	15	0	15
TOTAL SUPPLY	138	143	140	155	18	133
Intra EC Exports	77	77	84	100	0	79
Other Exports	8	6	8	6	0	6
TOTAL Exports	85	83	92	106	0	85
Human Dom. Consumption	30	30	30	31	0	32
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	30	30	30	31	0	32
TOTAL Use	115	113	122	137	0	117
Ending Stocks	23	30	18	18	0	16
TOTAL DISTRIBUTION	138	143	140	155	0	133
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	3	3	3	3	0	0

**PSD Table: Butter**

PSD Table						
Country	Ireland					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	64	64	78	78	68	84
Production	144	144	135	131	0	132
Intra EC Imports	4	4	4	4	0	4
Other Imports	0	0	0	0	0	0
TOTAL Imports	4	4	4	4	0	4
TOTAL SUPPLY	212	212	217	213	68	220
Intra EC Exports	107	105	120	98	0	105
Other Exports	12	13	14	14	0	15
TOTAL Exports	119	118	134	112	0	120
Domestic Consumption	15	16	15	17	0	17
TOTAL Use	134	134	149	129	0	137
Ending Stocks	78	78	68	84	0	83
TOTAL DISTRIBUTION	212	212	217	213	0	220
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**PSD Table: Nonfat Dry Milk**

PSD Table						
Country	Ireland					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	105	105	61	60	38	60
Production	88	88	80	75	0	80
Intra EC Imports	6	6	6	6	0	6
Other Imports	0	0	0	0	0	0
TOTAL Imports	6	6	6	6	0	6
TOTAL SUPPLY	199	199	147	141	38	146
Intra EC Exports	73	73	58	45	0	50
Other Exports	50	50	40	20	0	20
TOTAL Exports	123	123	98	65	0	70
Human Dom. Consumption	1	1	1	1	0	1
Other Use, Losses	14	15	10	15	0	15
Total Dom. Consumption	15	16	11	16	0	16
TOTAL Use	138	139	109	81	0	86
Ending Stocks	61	60	38	60	0	60
TOTAL DISTRIBUTION	199	199	147	141	0	146
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**PSD Table: Dry Whole Milk Powder**

PSD Table						
Country	Ireland					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	0	0	0	0	0	0
Production	35	35	36	34	0	35
Intra EC Imports	1	1	1	1	0	1
Other Imports	0	0	0	0	0	0
TOTAL Imports	1	1	1	1	0	1
TOTAL SUPPLY	36	36	37	35	0	36
Intra EC Exports	16	16	16	16	0	16
Other Exports	19	19	20	19	0	20
TOTAL Exports	35	35	36	35	0	36
Human Dom. Consumption	1	1	1	0	0	0
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1	1	1	0	0	0
TOTAL Use	36	36	37	35	0	36
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	36	36	37	35	0	36
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Note that the trade data above do not correspond directly with the data on the Trade Matrix. The Trade matrix data contain powders other than pure dry Whole milk powder and have therefore been adjusted accordingly.

**Trade Matrix: Cheese**

Export Trade Matrix			
Country	Ireland		
Commodity	Dairy, Cheese		
Time period	CY	Units:	metric tons
Exports for:	1999		2000
U.S.	3547	U.S.	3931
Others		Others	
France	3837		4438
Bel/Lux	1271		1994
Netherlands	1257		1628
Germany	3159		4862
Italy	1710		1932
UK	60798		59103
Greece	2604		2768
Spain	627		474
Japan	856		309
Saudi Arabia	194		160
Total for Others	76313		77668
Others not Listed	678		1455
Grand Total	80538		83054

**Trade Matrix: Butter**

Export Trade Matrix			
Country	Ireland		
Commodity	Dairy, Butter		
Time period	CY	Units:	metric tons
Exports for:	1999		2000
U.S.	14	U.S.	0
Others		Others	
France	19681		17922
Germany	40044		39100
UK	29725		23367
Netherlands	12289		9790
Belgium/Lux	9977		14805
Spain	1808		1547
Egypt	3470		2326
Nigeria	704		553
Mexico	1763		1367
Russia	0		495
South Africa	510		1218
Morocco	740		1238
Total for Others	120711		113728
Others not Listed	4546		5015
Grand Total	125271		118743

**Trade Matrix: Nonfat Dry Milk**

Export Trade Matrix			
Country	Ireland		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	CY	Units:	metric tons
Exports for:	1999		2000
U.S.	27	U.S.	96
Others		Others	
Netherlands	16250		33747
UK	9722		9726
France	3202		8208
Germany	3098		2938
Italy	5920		16233
Greece	781		202
Belgium/Lux	520		1641
Trinidad/Tobago	493		715
South Africa	239		1105
Egypt	658		300
Mexico	1984		8043
Peru	1546		1819
Saudi Arabia	846		593
Thailand	3424		5081
Indonesia	2993		6928
Malaysia	768		5445
Phillipines	528		7375
Taiwan	312		932
Hong Kong	0		187
Nigeria	1612		2619
Russia	17068		0
India	3825		0
Vietnam	588		1940
China	651		2744
Total for Others	77028		118521
Others not Listed	4164		4514

Grand Total	81219		123131
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**Trade Matrix: Dry Whole Milk Powder**

Export Trade Matrix			
Country	Ireland		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	CY	Units:	metric tons
Exports for:	1999		2000
U.S.	18	U.S.	0
Others		Others	
Bel/Lux	6305		7122
Netherlands	8047		8563
UK	3749		2493
Germany	872		1146
Italy	849		1144
France	1813		466
Dom. Republic	1386		2332
Trinidad/Tobago	6469		5592
Venezuela	1789		3600
Peru	648		2340
Brazil	0		400
Thailand	478		201
Singapore	384		255
Taiwan	1363		880
Oman	1509		1036
Ivory Coast	1189		1216
Algeria	1000		0
Senegal	1843		1312
Indonesia	417		446
Total for Others	40110		40544
Others not Listed	5996		7323
Grand Total	46124		47867

**Prices Table: Milk**

Prices Table			
Country	Ireland		
Commodity	Dairy, Milk, Fluid		
Prices in	Irish pence	per uom	liter
Year	2000	2001	% Change
Jan	22.0	23.6	7.27%
Feb	21.6	22.9	6.02%
Mar	21.4	22.5	5.14%
Apr	22.1	22.9	3.62%
May	22.3	23.9	7.17%
Jun	22.5	24.1	7.11%
Jul	22.8	24.0	5.26%
Aug	23.3	24.0	3.00%
Sep	24.0		
Oct	24.7		
Nov	24.7		
Dec	24.1		
Exchange Rate	88.3	Local currency/US \$	

Source: Central Statistics Office

Average price paid to the farmer for manufacturing milk, standardized at 3.7 percent butterfat